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THE SOCIAL SIGNIFICANCE OF WAR RISK INSURANCE

BY THOMAS B. LOVE,
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Insurance in all its forms is the best expression in organized business terms of the great social principle of mutuality or coöperation. War risk insurance is nothing more than the extension by the government of the United States to some of the risks of war of business methods with which the people of the United States are already familiar in nearly every department of their life and ordinary daily business.

The new thing about it which is of the greatest social significance is that it is a national governmental enterprise with the authority and financial strength of the greatest and most democratic government in the world. It began on September 2, 1914, when the Bureau of War Risk Insurance in the Treasury Department was established by Congress and authorized to insure American ships and their cargoes at rates which private carriers could not afford to take because of the unknown and uncertain new risks of naval submarine warfare, and in order to maintain the commerce of a neutral nation on the high seas. Later this authority was extended by the act of June 12, 1917, to cover the insurance of masters, officers and crews of merchant vessels, and again by the act of July 11, 1918, to insure the vessels of friendly nations when such vessels are chartered or operated by the United States Shipping Board or its agent, or chartered by citizens of the United States, or the cargoes on vessels of friendly nations whether or not they are so chartered.

This business is operated by the Marine and Seamen's Division of the War Risk Insurance Bureau and has been of the greatest national service. It has demonstrated the wisdom of the government going into a business undertaking that it alone could afford to enter and one which no combination of private capital would have dared risk, at rates which have given our shipping, both as a neutral and belligerent nation, cheap, reasonable, adequate protection and thus far without costing the government of the United States a single dollar. From September 2, 1914, to the close of business on June

30, 1918, \$43,185,770 were paid in premiums, the losses paid amounted to \$28,894,848, and after allowance for all costs of administration there was a surplus in the Treasury of more than \$14,000,000. Indeed, the cost of administration for nearly four years had been only about \$130,000 and the full amount of such insurance written was \$1,244,671,238.

The greatest development of war risk insurance, however, dates from the act of October 6, 1917, which together with various subsequent amendatory acts is now officially known as the War Risk Insurance Act. It is of still greater social significance because it has introduced the principle of insurance as part of the contract of employment between the government of the United States and millions of its citizens called upon for military and naval service.

The government of the United States is now an employer on a larger basis than ever before in its history. It is the largest employer in the world, and it is not too much to say that there is no single element in all our great war task that is of more importance than wisdom and prudence and essential justice in all of the phases of the nation's employment. The government at this time is the employer of something more than two million soldiers and sailors representing our fighting forces, and with respect to the basis upon which this employment is laid I think it may fairly be said that the government is an employer on a better basis than ever before in its history.

In all of the conflicts and contending opinions since the war began, upon questions arising out of employment and incident to employment, there are some elemental facts upon which all schools of thought have agreed. An honest contract of employment, whether made by a government or a private employer, individual or corporate, and whatever the grade or character of the employment, must provide for a living wage; and it is generally agreed that a living wage means something more than the mere cost of subsistence for the worker while he is at work. It must also provide for the expenses of living for his natural dependents, and for the expenses of living of the worker and his natural dependents during the hours of the day and the days of the week when he does not work. Further, it must provide for them during those periods when he is unable to work through his physical disability, arising from disease or injury, whether occupational or otherwise, or from old age; and

it must include provisions for the support of his dependents after his death so long as the conditions of dependency may continue. These things are essential to the living of the employe. Without them life is not worth living. They are simply the fuels of service without which there can be no efficient service.

Contracts guaranteeing these things may contemplate that the employe shall be paid a fixed periodical stipend representing the cost of his ordinary living, and in addition the cost of providing for the contingencies which may arise in the event of his disability, old age or death. Such a contract may contemplate that the worker will set aside and conserve the portion of the wage representing these contingencies, so that when they arise he will have the means in hand to meet them; or it may contemplate that he will provide for them through purchasing insurance protection against them. Another means is that the worker shall receive a fixed periodical stipend, and shall be committed to a reliance upon the voluntary contribution of the employer in the event of his disability or death or old age. Yet another would contemplate that the employer will pay the employe a fixed periodical stipend somewhat less than if the employe were to carry the risks I have described, upon the condition and with the agreement that the employer himself will undertake to make certain and definite provisions as a part of the contract of the employment and as a part of the compensation of the employe, for carrying him through periods of disability and carrying his dependents in the event of his death.

This method of compensation under which our two million and more soldiers and sailors are employed by the government of the United States is nowhere better illustrated than in the basic principles of the War Risk Insurance Act which is a part of the contract of their employment. In the War Risk Insurance Act and other acts which fix the basis of employment for our fighting forces, the government says to the enlisted man:

We will pay you a certain fixed monthly compensation. We will furnish your food and clothing and all medical service. If you have a wife and children, either or both, we will require you to make a definite allotment out of your monthly pay, which shall not exceed one-half your pay, and to this allotment the government will add an equal or greater amount as an allowance and pay this allotment and allowance to your family and dependents monthly for their support. If you have no wife or child, and have other relatives dependent upon you for support, and you wish to make a voluntary allotment for their support; or, if you have

besides a wife and children other relatives dependent upon you for support, and you wish in addition to the compulsory allotment you are required to make for the support of your wife and children to make a voluntary allotment for their support in either such case, the government will supplement the voluntary allotment with an equal or greater allowance, and disburse those allotments and allowances to the dependent relatives on a monthly basis.

In this way the government agrees with the soldier to make a certain definite dependable provision for his wife and children and other dependent relatives while he is in the service.

It says also that if he becomes disabled or discharged on account of injury or disease arising in the line of duty, and not due to his own wilful misconduct, the government will pay him a certain fixed monthly compensation contingent in amount upon the number and personnel of his family, so long as his disability shall continue. If he loses his life in the line of duty and not as a result of his own wilful misconduct, the government will pay to his wife or child or dependent mother or father, all of them if he has them, if not, such as he may leave, a certain fixed monthly compensation so long as the widow or widowed mother remains a widow and the parents are dependent, and to the children until they arrive at the age of eighteen years.

In addition to these provisions, the government declares that if he desires to purchase additional protection against his own total permanent disability, and against the loss of his breadwinning ability for his dependents through his death, it will provide that he may take not less than \$1,000 or more than \$10,000 of insurance, which shall be furnished him at the ordinary peace-time rates less any loading for expense and without any addition for the war hazard, the average rate being about \$6.50 per month for a \$10,000 policy. If the soldier is totally and permanently disabled, whether in the line of duty or not, this insurance shall be payable to him in 240 equal monthly installments until his death, or in the event of his death before the total number of installments have been paid, the remainder of such installments shall be paid to his designated beneficiaries. If he dies, the total amount of insurance is paid to his designated beneficiaries in 240 equal monthly installments.

This scheme or provision for our fighting men is certainly the most liberal provision ever made by any government in the history of the world for its fighting forces in time of war. It has seemed to

me that it represents probably the soundest and wisest and most prudential form of employment ever used by any nation in time of war or in time of peace. May it not be that it will have an added value in that it will point the way to our country and to the nations of the earth for a rational and sound system of employment which will be mutually beneficial to society and to the worker for peace times as well as for war?

Although this provision for the military forces of the country has entailed the building up of the greatest insurance business in the world in a few months, there are already signs that it must be extended immediately beyond the confines of the military forces. General Pershing cabled the Secretary of War several months ago that he had with the Expeditionary Forces in France many hundred civilian employes who were subjected to extraordinary war risks, but not being part of the military forces were not eligible to benefit by the insurance features of the War Risk Insurance Act. He asked that they be included by regulation if possible, if not, by new legislation. Amendments have been proposed in Congress to meet this request.

The Russian Railway Corps is not an official body of government employes either military or civilian, but is composed of hundreds of American engineers and workmen who are doing essential war service helping the cause of the Allies and bravely meeting a great many dangers of war. They ought to have the protection of war risk insurance, and bills have been introduced in Congress to give it to them. The War, Navy and Treasury departments have all sent hundreds and thousands of civilian employes to France engaged in supplementary war work. Many of them, like the hundreds of telephone girls, working under conditions required by extra-hazardous service, and the hundreds and thousands of Red Cross workers, Y. M. C. A. and Y. W. C. A. employes are all doing their part to help win the war. Many of them are making as great financial and personal sacrifices as any soldier or sailor in the fighting forces, and all of them are subject to the dangers of the submarine at sea, the aerial bomb on land, and in some cases to the more usual hazards of bullets and cannon by reason of proximity to the fighting lines. Undoubtedly Congress, in the same spirit of fairness and liberality that characterized the provision for soldiers and sailors, will in the near future extend the provisions of war risk

insurance to a considerably larger body of persons than that comprised in the strictly speaking military service.

It will be hard, however, to draw the line in all justice to include only those who are in some way subject to strictly war risks and to exclude hundreds of thousands of civil employes of the government of the United States who are doing unusual tasks in Washington and in every part of the country at home in the spirit of war service, if not liable to special war risks. I have in mind particularly the railway employes of the United States, who in some measure when they enter their employment, like the soldier, lose their "insurability" because of the extra-hazardous character of their occupation. They are now a part, for the time being at least, of Uncle Sam's great and growing civilian army engaged in national service. But it is not possible to draw the line even here at the point of the extra-hazardous character of the employment. Social justice demands and a wise and patriotic Congress will undoubtedly eventually recognize, that a just contract of employment between the government of the United States and everyone of its employes must include some provision for such protection as it has already provided for our soldiers and sailors in the War Risk Insurance Act.

A descriptive account of the detailed provisions of the War Risk Insurance Act, setting forth the three important war tasks, namely, provision for allotments and family allowances, compensation and indemnity for injury, and insurance against death or total and permanent disability, is given elsewhere in this volume, likewise some account of the enormous task in establishing the Bureau of War Risk Insurance and all the administrative problems which have confronted the government during the first year of its operation. I have, therefore, confined myself to pointing out merely the larger social aspects of the policies underlying this legislation and administration.